

# Chapter 4. Availability of Public and Private Insurance Coverage

## Introduction

The two most prominent forms of insurance coverage in Washington are employment-based coverage and public insurance. This chapter examines factors that affect the availability of insurance coverage in these two sectors. The first section of the chapter briefly covers the role of public insurance programs in Washington, examining the range of programs, their intended recipients, and the eligibility procedures used for determining who can be enrolled in these programs. We examine primary eligibility pathways to public insurance for different segments of the population and identify factors likely to affect availability of insurance such as income, age, citizenship status, and medical condition. Availability of public insurance for children is quite broad (up to 250 percent of the federal poverty level), but availability of coverage for adults has been restricted by both enrollment caps in Basic Health and Medicaid rules limiting enrollment to adults with children. This chapter identifies hypothetical eligibility; the next chapter matches eligibility criteria of public programs with actual characteristics of individuals and families to measure actual access to public insurance among different segments of the population.

The second section of this chapter looks at the availability of private insurance in the employment-based market and identifies factors associated with the likelihood that workers are in a business that offers insurance to employees, including size of business, prevalence of seasonal employment, rates of unionization, and the prevalence of part-time, low-wage, female, and young workers in the business. The analysis focuses on workers only, not their dependents, and includes only workers under age 65. The section also includes estimates of how premiums faced by small employers affect the likelihood that insurance will be offered to employees. Chapter 5 goes beyond this analysis of the characteristics of employers or their workers to examine access to employment-based and other private insurance on an individual basis, measuring access to these forms of insurance among dependents as well as by the employed population.

# Major Findings

## Availability of Public Programs

- Washington has numerous public insurance programs, whose eligibility varies according to factors such as age, income, family structure, and citizenship status.
- Programs for children are the most broadly available, with the combination of Medicaid and the Children's Health Insurance Program (CHIP) potentially making insurance available for all citizen children in families at or below 250 percent of the federal poverty level (FPL).
- Insurance for adults is less available to potential enrollees. Theoretically, the Basic Health program is open to all adults making up to 200 percent FPL, but enrollment caps have constrained enrollment to about 130,000 individuals.
- Other public programs exist that fill some of the coverage gaps for adults, but have very specialized eligibility requirements and are often restricted to those adults with very low income and a disability or specific health issue.

## Availability of Private Coverage

- Most employees—about 80 percent—in Washington work for a business that offers coverage.
- Availability of coverage varies substantially by firm size. The availability gap is greatest for workers in businesses with fewer than 10 workers—only slightly more than half of these workers are in a company that offers insurance.
- Premium prices are related to whether coverage is offered by small businesses, suggesting that premium subsidies could have some effect in increasing the percent of employers offering insurance.
- But worker characteristics also matter, suggesting that lack of worker demand for coverage may also be a factor that affects employers' decisions to offer coverage. Characteristics associated with lower offer rates include high proportions of low-wage, young, and female employees.

# Part 1. Availability of Public Insurance in Washington

A wide variety of public insurance programs serve Washington residents. Various Medicaid programs make up the bulk of public program enrollment, with the two largest of these, TANF-related Medicaid and Children's Medicaid, together accounting for more than half a million enrollees. Medicaid programs are run by the state under federal guidelines and are funded by both federal and state dollars (at approximately a 50-50 ratio in Washington). Pregnancy Medical, also funded by Medicaid dollars, is the fourth largest program with more than 40,000 enrollees.

Some public programs are paid for solely with state dollars. The largest of these is Basic Health, but other state-only programs serve immigrants, those in substance abuse treatment, and very poor people without children. The following table shows the largest public health insurance programs in Washington, their target populations, and their enrollment for March 2000.

## Public Program Eligibility

The three most important factors determining whether someone is eligible for public insurance, and if so which program they are eligible for, are age, income, and citizenship status. Other factors affecting enrollment include programmatic status (e.g., receiving Temporary Assistance for Needy Families (TANF) cash assistance, enrollment in Foster Care) and health condition (such as disability or need for substance abuse treatment).

**Figure 4.1. Major Public Health Insurance Programs in Washington for the Low-Income Population**

Name of Program	Population Targeted	Eligibility Limit as % of FPL*	Number Enrolled (Feb. 2002)
Children's Medicaid	Newborns and children under age 19	200%	312,621
Children's Health Insurance Program (CHIP)	Children under age 19 in families with incomes too high for Medicaid	250%	6,831
Foster Care	Foster children and adoptees under age 19	200%	15,351
TANF Medicaid (adults and children)	Children under age 19 and adults who care for them	45%	275,310
Children's Health Program	Children under age 18 who are non-U.S. citizens	100%	20,737
Refugee Assistance	Refugees granted asylum in the U.S.	49%	907
Basic Health (regular subsidized)	Low-income individuals/families not eligible for Medicare	200%	120,533
Medically Indigent	Low-income individuals not eligible for other medical programs	49%	2,072
General Assistance - Unemployable (GA-U)	Persons who are physically/mentally incapacitated and unemployable for > 90 days	45%	9,315
ADATSA	Persons incapacitated and unemployable due to drug/alcohol abuse	45%	3,670
Pregnancy Medical	Low-income pregnant women	185%	23,226
Family Planning	Medical coverage post-partum for women who received medical assistance during pregnancy	200%	67,602
Aged	Low-income individuals over 65	n/a*	61,307
Blind and Disabled	Blind and disabled people below federal and state income limits	n/a*	122,888

Source: Medical Assistance Administration, Health Care Authority

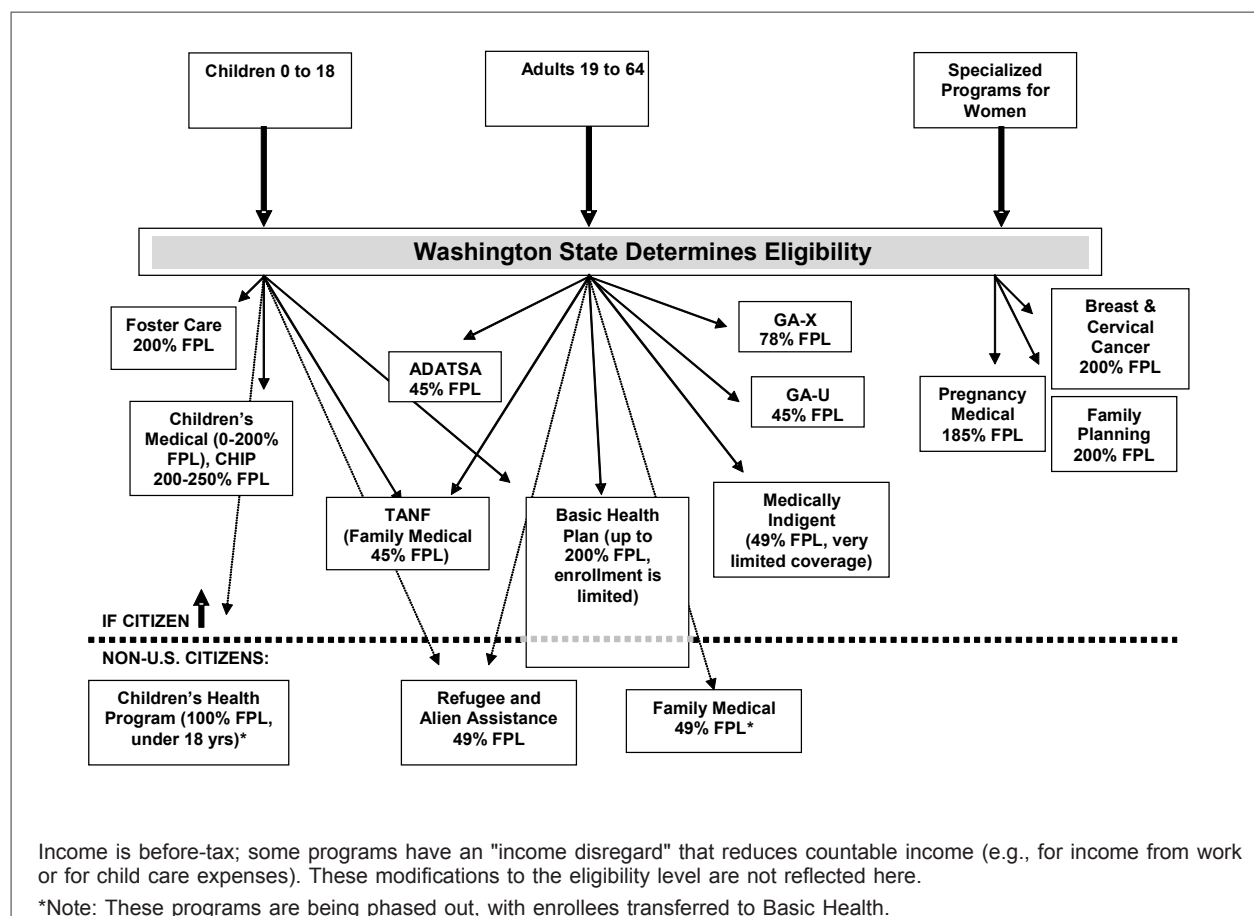
\* Income is before-tax; some programs have an "income disregard" that reduces countable income (e.g., for income from work or for child care expenses). These modifications to the eligibility level are not reflected here.

\*\* Income calculated using federal and state schedules that differ from the FPL.

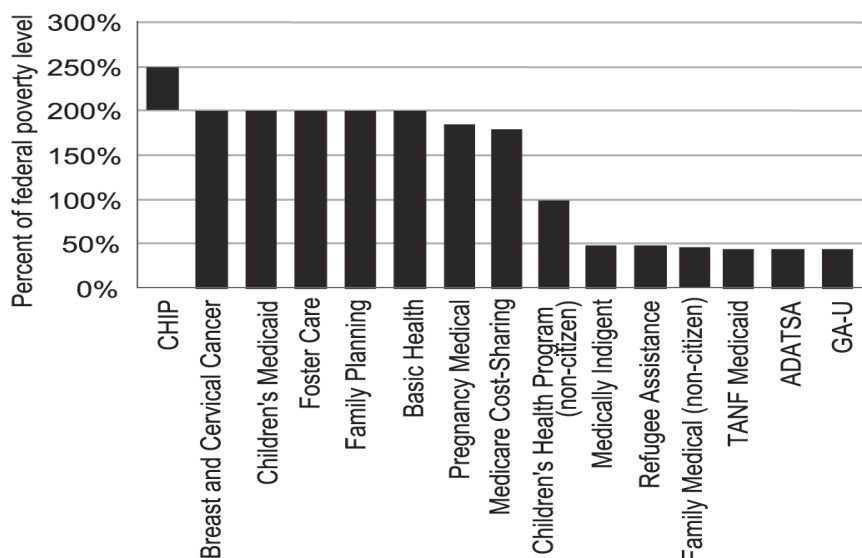
The following chart summarizes the major enrollment pathways in Washington's public programs for the population under 65. Some programs are exclusively for children, of which the Children's Medicaid program and the Children's Health Insurance Program (CHIP) are most generally available, with enrollment constrained only by citizenship status and family income level. Taken together, these programs are available to most of the state's children in households up to 250 percent FPL. Eligibility for the Foster Care program is determined by income and by enrollment in the Foster Care system. The Children's Health Program is a state-funded program for non-citizen children, with eligibility limited at 100 percent FPL. Children are only eligible for TANF Medicaid when they are part of families or households receiving TANF cash assistance.

The availability of public programs for adults is more complicated. Some of the programs are available only to adults who are caring for dependent children. TANF family assistance is available for those families with children who receive TANF cash assistance, and a similar program, Family Medical, serves those non-citizens not qualifying for TANF. The subsidized Basic Health program, a state-funded program providing access to adults regardless of the presence of children, provides coverage to those making up to 200 percent FPL. However, as we will see in Chapter 5, in practice enrollment caps have limited the availability of this program. Other programs serving adults are much more limited in scope and have narrow eligibility criteria.

**Figure 4-2. Primary Eligibility Paths to Public Health Insurance in Washington for the Population Under 65**



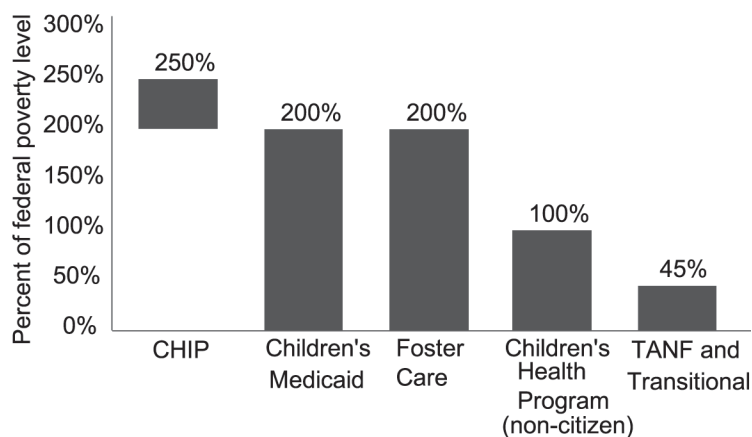
**Figure 4-3. Washington Public Insurance Programs by Income Eligibility**



Source: Medical Assistance Administration. Income is before-tax; some programs have an "income disregard" that reduces countable income (e.g., for income from work or for child care expenses). These modifications to the eligibility level are not reflected here. The Family Medical and Children's Health Programs for non-citizens are being phased out, with enrollees transferred to Basic Health.

The chart at left categorizes Washington programs solely by income eligibility cutoffs. Eligibility ranges from 45 percent to 250 percent FPL. Some populations face more difficulty than others in qualifying for insurance despite the existence of these myriad programs.

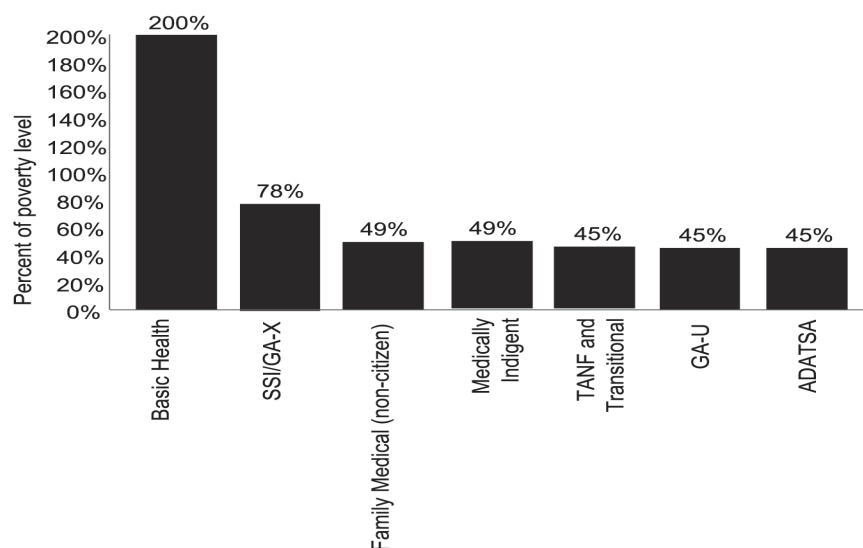
**Figure 4-4. Washington Public Insurance Programs for Children by Income Eligibility**



Source: Medical Assistance Administration. Income is before-tax; some programs have an "income disregard" that reduces countable income (e.g., for income from work or for child care expenses). These modifications to the eligibility level are not reflected here. The Children's Health Program for non-citizens is being phased out, with enrollees transferred to Basic Health.

Insurance for children is the most readily available, with relatively simple eligibility criteria. For U.S. citizens, a program exists for all children in families making up to 250 percent FPL. Non-citizen children are primarily limited to the Children's Health Program, which enrolls children in families making up to 100 percent FPL (although a few might qualify for Refugee Assistance).

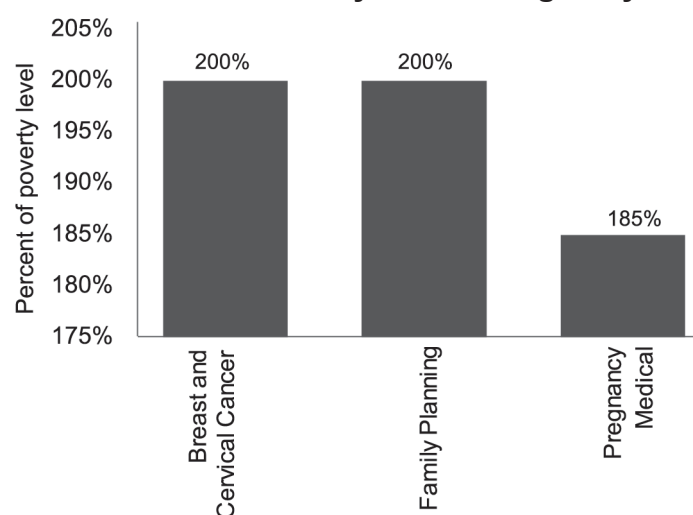
**Figure 4-5. Washington Public Insurance Programs for Working-Age Adults by Income Eligibility**



Source: Medical Assistance Administration; Health Care Authority. Income is before-tax; some programs have an "income disregard" that reduces countable income (e.g., for income from work or for child care expenses). These modifications to the eligibility level are not reflected here. The Family Medical program for non-citizens is being phased out, with enrollees transferred to Basic Health.

Washington State has achieved close to universal availability (if not access) for children, but qualifying for public insurance is much more difficult for working-age adults. Only those adults who have children and who are below the income limits for public assistance can receive TANF and Transitional Medicaid. Although Basic Health offers coverage to all adults making 200 percent FPL or less, enrollment caps driven by public program funding challenges have kept enrollment from exceeding about 130,000 individuals. (Chapter 5 documents the likely effect of different scenarios for eligibility expansion in Basic Health). The other programs shown here have very specialized eligibility criteria (e.g., disability or substance abuse) and have more restrictive income limits.

**Figure 4-6. Washington Specialized Programs for Women and Families by Income Eligibility**



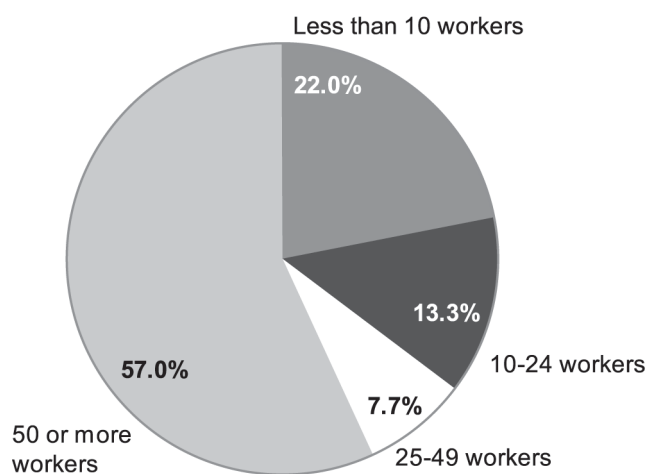
Source: Medical Assistance Administration. Income is before-tax; some programs have an "income disregard" that reduces countable income (e.g., for income from work or for child care expenses). These modifications to the eligibility level are not reflected here.

Some additional specialized programs help to fill in some gaps in availability. Pregnancy Medical has greatly enhanced the availability of prenatal care. Family planning services are available to adults making up to 200 percent FPL. The Breast and Cervical Cancer Program also meets some specialized women's health needs, but enrollment is very small (fewer than 100 enrollees in February 2002).

## Part 2. Availability of Private Insurance in Washington

This section begins with a look at the distribution of workers aged 19-64 (not including their dependents) in Washington across types of businesses, so we know how many workers are included when we compare the insurance availability in different business types. Second, we examine the characteristics of businesses that are associated with the likelihood that insurance is offered as a benefit, including: size of business, because administrative costs of insurance are known to be higher in small business; whether a business has union workers, because unions negotiate for fringe benefits; whether a business is seasonal, because these employers gain less from investing in the health of workers; and, whether a business has numerous part-time workers, because insurance becomes a greater share of compensation and hence more costly. We also examine the effect of workforce composition, including factors known to affect demand for insurance, such as age and wage level of employees. In this chapter, we report the share of workers in firms that offer insurance; not all workers in these firms may qualify for that insurance, and some may choose not to enroll. Rates of enrollment in employer-sponsored insurance plans are examined in Chapter 5.

**Figure 4-7. Distribution of Workers by Size of Business, 2000**

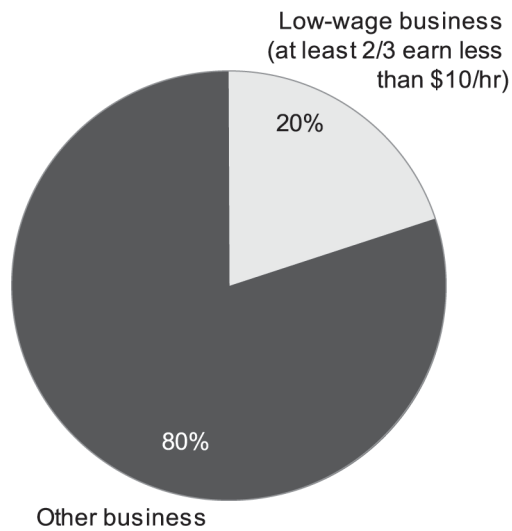


Almost 60 percent of workers are in larger businesses (50 or more workers). But more than one in five is in a very small business with fewer than 10 workers.

Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey.



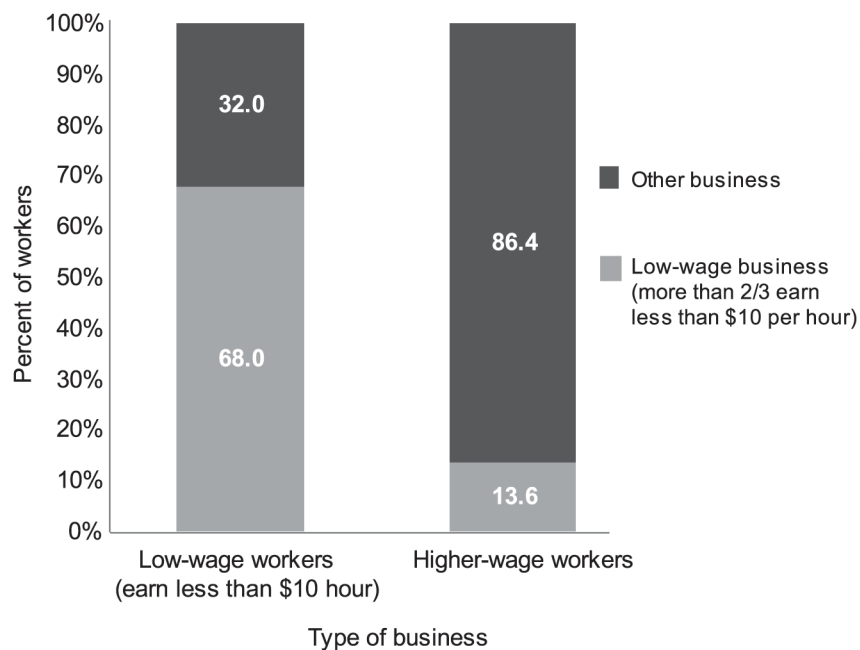
**Figure 4-8. Distribution of Workers Between Low-Wage and Other Businesses, 2000**



Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey.

About 20 percent of workers are in businesses we define to be low-wage businesses—at least two-thirds of their workers earn less than \$10 per hour.

**Figure 4-9. Distribution of Low- and Higher-Wage Workers by Wage Characteristics of Business, 2000**

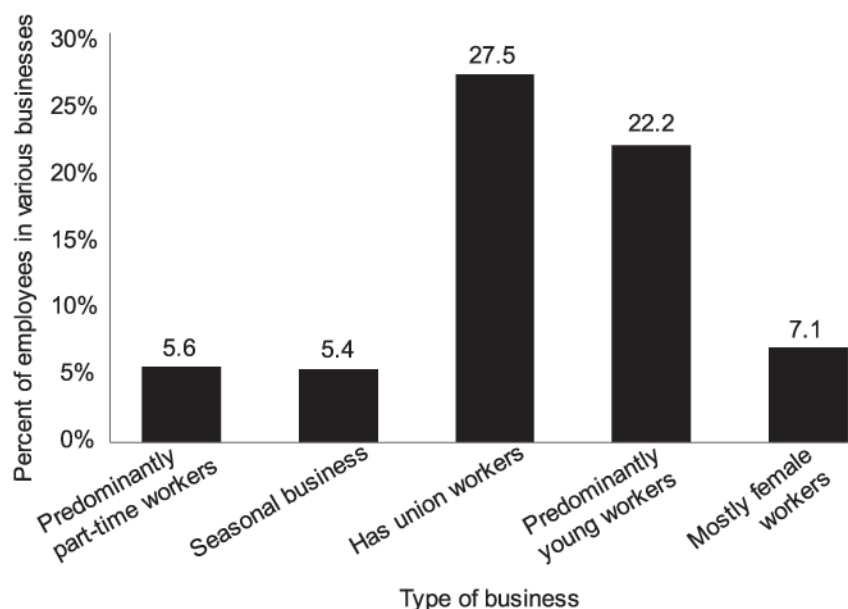


Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey.

Most low-wage workers are in low-wage businesses, and few higher-wage workers are in low-wage businesses. This concentration is important for policies that try to target low-wage workers through employers.



**Figure 4-10. Percent of Workers by Type of Business, 2000**



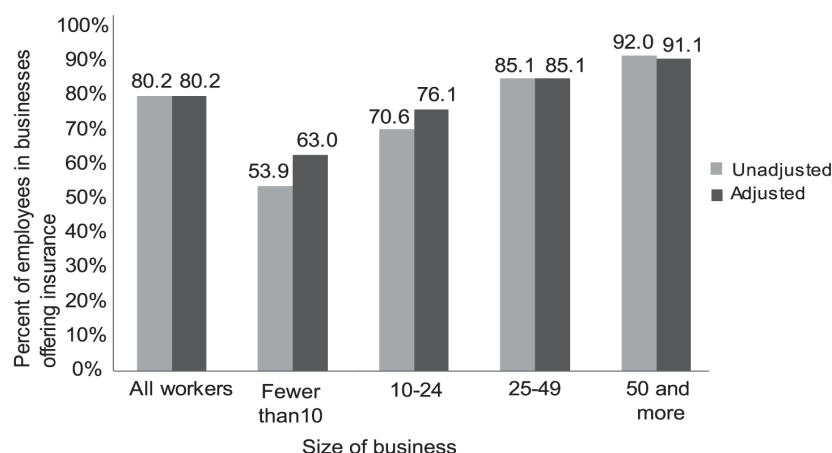
Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey.

**Seasonal businesses** have at least half of workers reported as seasonal or temporary. **Part-time** is defined as over half of employees working fewer than 20 hours per week. **Predominantly young** businesses have at least 30 percent of workers under age 30 and no workers over age 50. **Mostly female** businesses have 90 percent or more women workers. **Union businesses** have all or part of their workforce unionized.

Fewer than 10 percent of workers are in businesses that are seasonal, employ predominantly part-time workers, or have mostly female employees. More than one in four employees are in businesses that have some union employees. More than one in five workers are in businesses that have mostly young employees.

The characteristics of businesses often cluster together. Small businesses and low-wage businesses are more likely to have numerous part-time workers, young workers, and female workers and less likely to have union workers (see Appendix A. Methodology, Table A-1 for more information).

**Figure 4-11. Percent of Employees in Firms Offering Health Insurance, All and by Size of Firm, 2000**

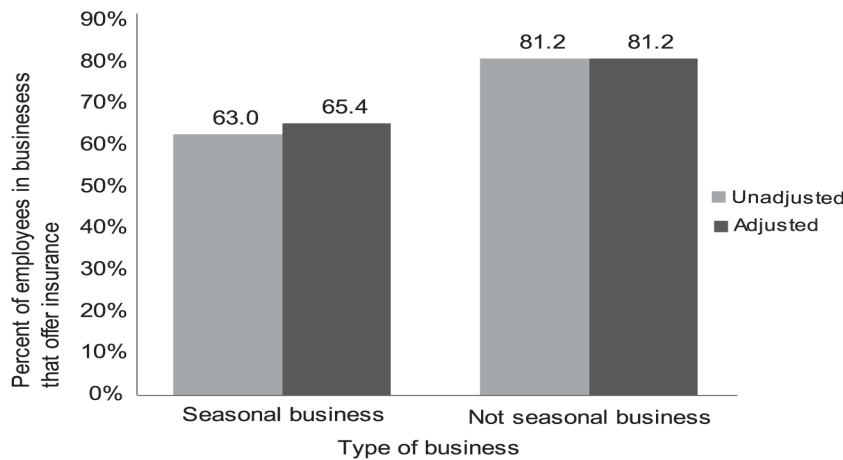


Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey. Statistical adjustments are for characteristics likely to affect insurance offers including seasonality, unionization, and presence of young, female, low-wage, or part-time workers.

Note: As described in the methodology appendix, we have reweighted the employer survey in this chapter using the employee composition in 2000. Thus the figures are not directly comparable to the chart created from the 1997 survey shown in Chapter 1, which shows offer rates exactly as measured in the 1997 survey.

Workers in large businesses are substantially more likely to be offered coverage than workers in small businesses—only about 54 percent of workers in businesses with fewer than 10 workers have an employer that offers coverage, compared to 92 percent of workers in businesses with 50 or more employees. Large differences by size remain when we adjust for other factors that are related to both size and the likelihood of offering coverage.

**Figure 4-12. Employees in Businesses Offering Insurance, Seasonal and Non-Seasonal Business, 2000**

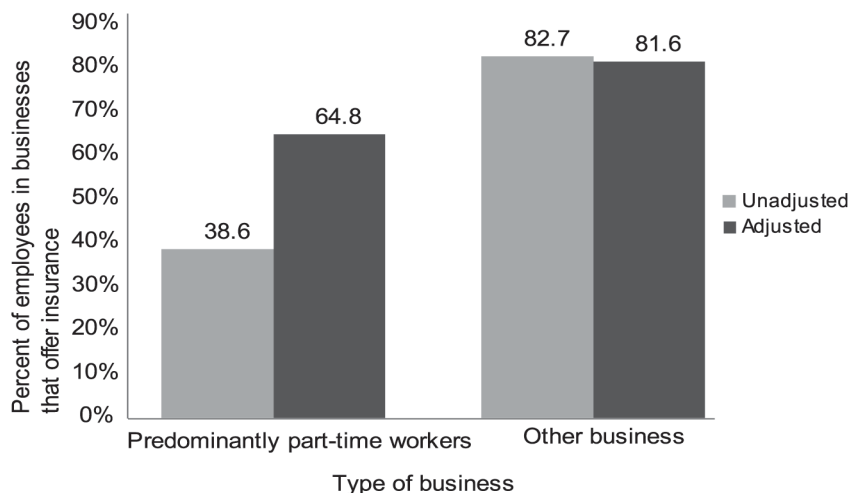


Workers in seasonal businesses are less likely to have an employer that offers insurance, even when we adjust for firm size, workers' wages, and other characteristics.

Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey. Statistical adjustments are for characteristics likely to affect insurance offers including size of firm, unionization, and presence of young, female, low-wage, or part-time workers.

**Seasonal businesses** have at least half of workers reported as seasonal or temporary.

**Figure 4-13. Employees in Businesses Offering Insurance, Part-Time and Other Businesses, 2000**

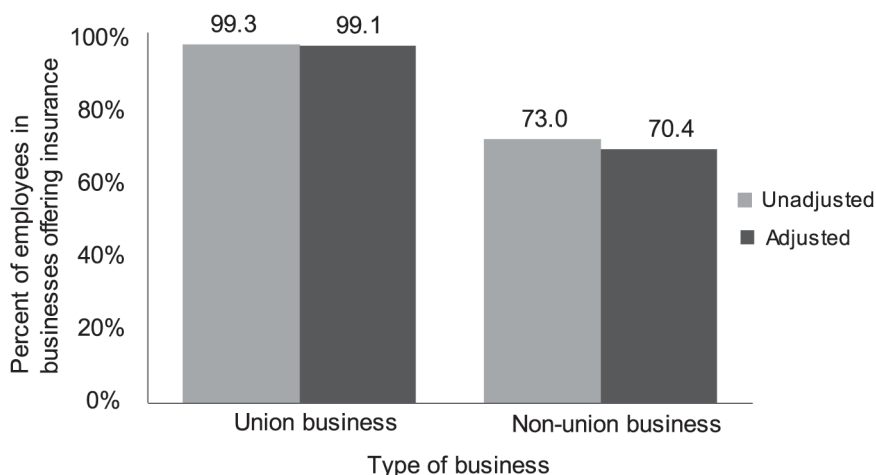


Businesses with a high percentage of part-time workers are also less likely to offer insurance. The effect of having a large share of part-time workers, however, is diminished after adjusting for other characteristics.

Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey. Statistical adjustments are for characteristics likely to affect insurance offers including size of firm, seasonality, unionization, and presence of young, female, or low-wage workers.

**Part-time** is defined as over half of employees working fewer than 20 hours per week.

**Figure 4-14. Employees in Businesses Offering Insurance, Union and Non-Union Businesses, 2000**

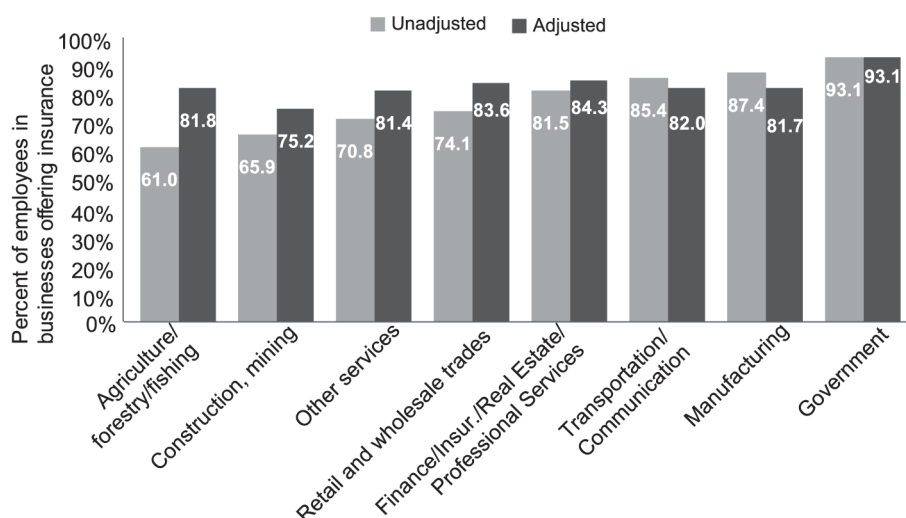


Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey. Statistical adjustments are for characteristics likely to affect insurance offers including size of firm, seasonality, and presence of young, female, low-wage, or part-time workers.

**Union businesses** have all or part of their workforce unionized.

Close to 100 percent of workers in unionized firms in Washington have an employer who offers insurance, even after adjusting for other characteristics that affect the likelihood of offering insurance. For non-union firms, about 7 in 10 workers are in firms offering insurance.

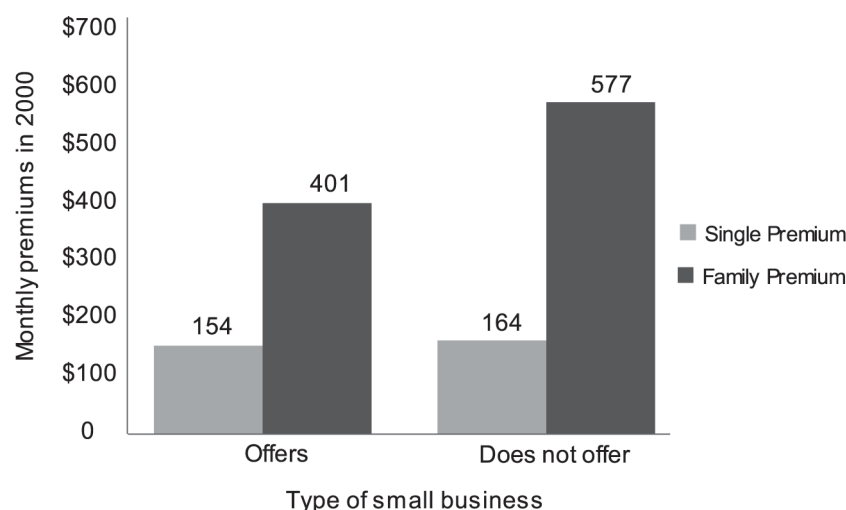
**Figure 4-15. Employees in Businesses Offering Insurance by Industry of Employment, 2000**



Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey. Statistical adjustments are for characteristics likely to affect insurance offers including size of firm, seasonality, unionization, and presence of young, female, low-wage, and part-time workers.

Industries differ in the likelihood of offering insurance. Employees in local, state, or federal government positions are most likely to have an employer that offers insurance, and those in the agriculture, forestry, or fishing industries are the least likely. However, these differences are largely due to other characteristics that are associated with both industry and offering insurance (e.g., size of firm or seasonality), and the differences diminish after adjusting statistically for these characteristics.

**Figure 4-16. Monthly Premiums Paid by Small Firms That Offer Insurance and Predicted for Those That Do Not Offer, 2000**

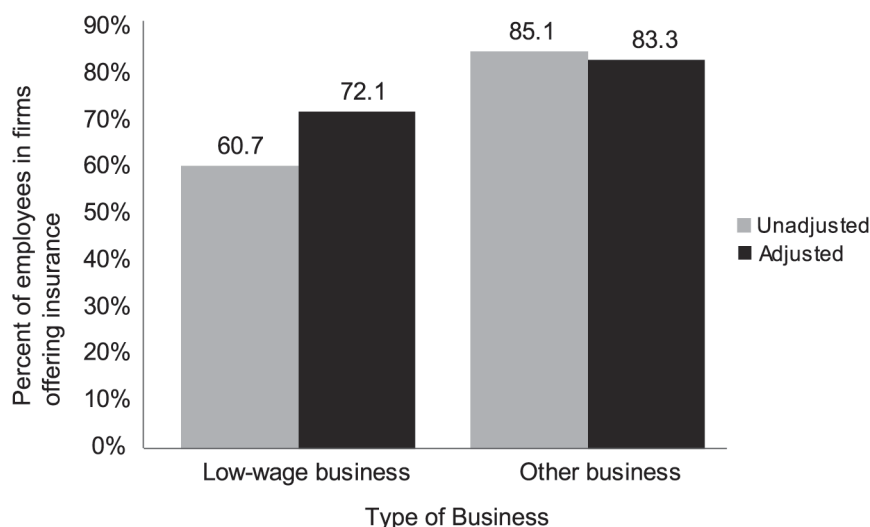


Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey.

**Small firms** are those with fewer than 50 employees.

Because the lack of availability of employer-sponsored insurance is primarily a problem for workers in small businesses (most large businesses do offer), policy discussions often center on how to encourage more small businesses to offer insurance. Price appears to be a factor in whether insurance is offered. The total (predicted) premiums that would have to be paid for insurance by small businesses (fewer than 50 workers) that do not now offer coverage are higher than the actual premiums paid by businesses that do offer insurance. (See Appendix A Methodology for a description of how we estimate premiums for employers not offering insurance.)

**Figure 4-17. Employees in Businesses Offering Insurance by Predominant Wage Level of Business, 2000**

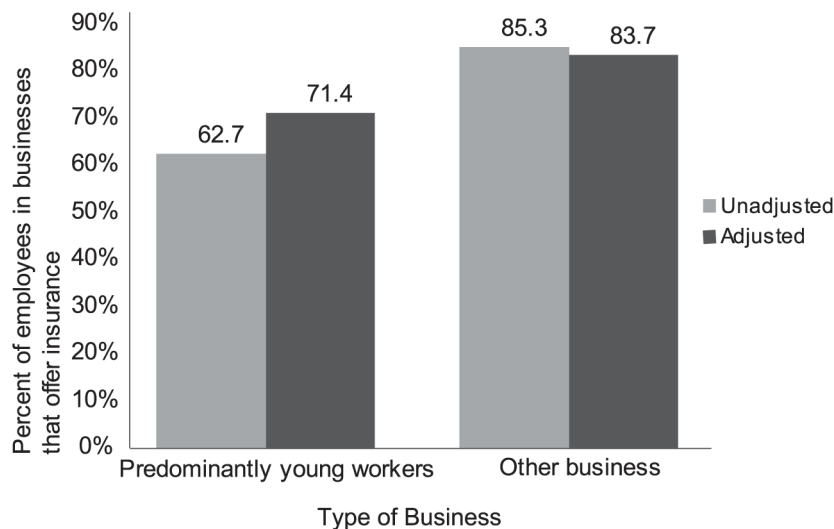


Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey. Statistical adjustments are for characteristics likely to affect insurance offers, including size of firm, seasonality, unionization, and presence of young, female, and part-time workers.

**Low-wage businesses** are those in which more than two-thirds of workers make less than \$10 per hour.

Characteristics of an employer's workers are also related to the likelihood that insurance is offered. Policies that focus only on the supply side—such as subsidies to get more employers to offer—therefore, may not have the intended effect. For example, workers in businesses with a large share of low-wage workers are less likely to have an employer that offers coverage. Such workers may be less likely to demand insurance, because they find premiums to be unaffordable.

**Figure 4-18. Employees in Businesses Offering Insurance, Firms with Predominantly Young Workers and Other Firms, 2000**

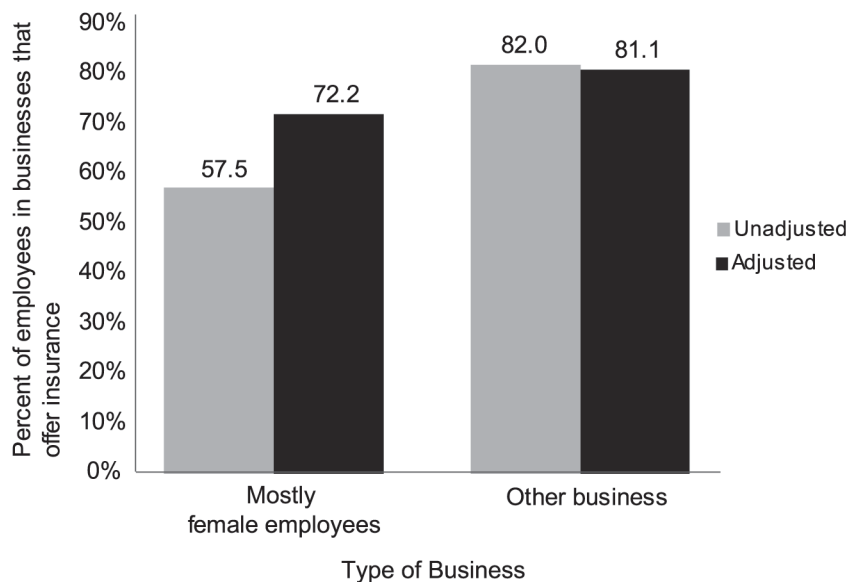


Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey. Statistical adjustments are for characteristics likely to affect insurance offers, including size of firm, seasonality, unionization, and presence of female, low-wage, or part-time workers.

**Predominantly young** businesses have at least 30 percent of workers under age 30 and no workers over age 50.

Employees who work in businesses with a large share of young workers are less likely to have access to employment-based insurance plans.

**Figure 4-19. Employees in Businesses Offering Insurance, Female-Dominated and Other Businesses, 2000**



Source: 2000 Washington State Population Survey; 1997 RWJF Employer Health Insurance Survey. Statistical adjustments are for characteristics likely to affect insurance offers, including size of firm, seasonality, unionization, and presence of young, low-wage, or part-time workers.

**Mostly female** businesses have 90 percent or more women workers.

A similar pattern appears for workers in firms with a large share of female workers, who are also less likely to have an employer that offers coverage. It has been hypothesized that some employers with a large number of employees with a working spouse may try to shift coverage to the other worker to save on their own compensation costs.\*

\* Dranove, D., Spier K.E., & Baker, L. (2000). Competition Among Employers Offering Health Insurance. *Journal of Health Economics*, 19, 121-140.